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ABSTRACT

This general management review (one in a series of management reviews of federal departments and agencies) identifies key management issues facing the U.S. Department of Education. This review assesses the management of the department and identifies actions that can be taken to improve organizational performance. Data were derived from 151 in-depth interviews conducted primarily with Education Department senior officials and from document analysis. Findings indicate that the Department lacks a clear management vision, leadership commitment to management, and adequate management systems, and that it needs a cultural transformation. It is recommended that the Secretary of Education articulate a strategic-management vision; adopt a strategic-management process; enhance management leadership and strengthen agency culture; and create strategic visions and plans that are integrated with the Department's overall strategic-management process. Seven figures and nine tables are included. Appendices describe the methodology, the National Education Goals, the Department of Education organization and programs, the increase in Department work load and decrease in resources, and the assessment of human resources. (LMI)

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United States General Accounting Office

GAO

Report to the Secretary of Education

May 1993

DEPARTMENT OF EDUCATION

Long-Standing Management Problems Hamper Reforms

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-241690

May 28, 1993

The Honorable Richard W. Riley
The Secretary of Education

Dear Mr. Secretary:

This report on the U.S. Department of Education (ED) is one in a series of GAO management reviews of federal departments and agencies. Our purpose in doing these reviews is to assess the management of each department or agency and identify actions that can be taken to improve organizational performance.

To obtain information for this report, we conducted 151 in-depth interviews, primarily with ED's senior officials, and reviewed relevant reports and documentation. Among these were in-house studies; task force reports; departmental personnel statistics; and Office of Personnel Management (OPM), GAO, ED Inspector General, Office of Management and Budget (OMB), and Federal Managers' Financial Integrity Act reports. Our review was conducted between December 1990 and September 1992 in accordance with generally accepted government auditing standards. (See app. I.)

In this report, we include information covered in our briefings with then Secretary of Education Lamar Alexander in July 1991 and his staff in November 1991 and our letter of August 1991[1] identifying problems in ED's planning processes and recommending implementation of a strategic management process. We also include findings from our study of ED's information resources management[2] and our reports on the high-risk area of the Guaranteed Student Loan Program.[3]

As you know, American education is at a crossroads. Student achievement in mathematics and science lags behind that of students in other industrialized nations, some 1,900 students drop out of school each day, and large numbers of students graduate from school lacking the skills sought by employers. The growing belief that these educational problems

[1]GAO Management Letter on the Need for a Strategic Planning Process to the Secretary of Education (Aug. 20, 1991).

[2]Department of Education: Management Commitment Needed to Improve Information Resources Management (GAO/IMTEC-92-17, Apr. 20, 1992).

[3]High-Risk Series: Guaranteed Student Loans (GAO/HR-93-2, Dec. 1992) and Financial Audit: Guaranteed Student Loan Program's Internal Controls and Structure Need Improvement (GAO/AFMD-93-20, Mar. 16, 1993).

contribute to America's declining economic competitiveness has spurred many federal, state, and local officials and the business community to agree that national goals for education are needed. You are well acquainted with these policy issues.

You may be less aware of the Department's impaired organizational capacity to manage; that is, fulfill its mission and carry out its role in the national education agenda. In our recent transition report,[4] we outlined the scope of departmental management problems and the need to strengthen departmental management. Here we provide the detailed findings and make recommendations.

Results in Brief

The Department charged with managing the federal investment in education and leading the long-term effort to improve education itself lacks a clear management vision of how to best marshal its resources to effectively achieve its mission. Past Education Secretaries have not built an organization that could implement major policy initiatives. Moreover, the Department's history is replete with long-standing management problems that periodically erupted, became the focus of congressional and media attention, and subsequently diverted attention from the policy agendas. One example of this is the financial management of the Federal Family Education Loan Program (formerly the Guaranteed Student Loan Program).

To reverse this trend and effect long-term change in the way the Department is managed, the Secretary must give priority attention to changing both ED's culture and its management systems. Past Department leaders have focused on short-term solutions and made limited use of career employees in management problem-solving. Thus, ED's current organizational culture leaves it poorly positioned to make long-range changes. Secretary Alexander recognized the need to improve the way ED is managed and took initial steps to enhance departmental leadership, transform agency culture, and improve operations. However, GAO is concerned that this momentum, already dissipating, not be lost.

The National Education Goals (see app. II) constitute a long-term approach to closing the nation's skills and knowledge gaps. But they have not provided a vision of what the Department itself needs to do to achieve its mission. With the exception of the objectives set forth to remedy problems in student financial assistance, the previous Secretary did not

[4]Transition Series: Education Issues (GAO/OCG-93-18TR, Dec. 1992).

establish a management framework with goals and objectives to be accomplished if ED was to support its agenda. Moreover, this general lack of management direction was exacerbated by ED's long-standing practice of filling key technical and policy-making positions with managers who, lacking requisite technical qualifications, were ill-equipped to carry out their managerial responsibilities.

Further, ED's management structure and systems have inadequately supported its major initiatives, such as student aid or special education programs. The Department has no systematic processes for planning, organizing, or monitoring for results and quality improvement. Lacking both clear management goals and a Secretarial focus on management, ED cannot effectively align its activities to support major initiatives, carry out its programs, or correct identified problems. In our November 1988 transition report,[5] we recommended that the Secretary establish a Secretarial-level strategic management process to address these deficiencies. This has not been done.

ED's major management systems need attention. To give the Secretary the tools for managing the Department, information and financial management systems must be repaired. Managers lack the information and resources to oversee operations; give technical assistance; and ensure financial interests against fraud, waste, and mismanagement. To lead and sustain these efforts, ED also needs a skilled work force. But the Department does not adequately recruit, train, or manage its human resources to ensure that workers can accomplish its mission and implement Secretarial initiatives.

Background

Created in 1979,[6] ED is one of the youngest and smallest Cabinet-level departments. Its 5,000 employees fulfill a diverse mission: (1) to provide financial aid for education and monitor its use, (2) to fund and pursue education-related research and information dissemination, (3) to ensure equal access to education and enforce federal statutes prohibiting discrimination in federally funded programs and activities, and (4) to provide national leadership in identifying and focusing attention on major educational issues and problems. (See app. III for a description of ED offices and funding.) As ED's fiscal year 1992 appropriation of $28.8 billion indicates, the federal role in financing U.S. education is small. The Department directly funds 5.6 percent of elementary and secondary and

[5]Transition Series: Education Issues (GAO/OCG-89-18TR, Nov. 1988).

[6]Largely drawn from elements of the Department of Health, Education, and Welfare, ED became a functioning department in May 1980.

12.3 percent of postsecondary expenditures.[7] Historically, however, federal leadership and policy leverage have been significant, particularly in securing equal access to educational opportunities for all Americans.

In addition to mission-related activities, ED Secretaries have used their position to promote such initiatives as effective schools, drug-free schools, and school choice. Historically, these efforts were not connected to any national education agenda that could give direction to federal, state, and local education activities. The situation changed in 1990, when the nation's governors, in conjunction with the White House, developed the six National Education Goals. This was followed in 1991 by the Bush administration's long-term strategy, "America 2000," for achieving the goals.[8]

Over the past 12 years, the Department has found fulfilling its mission increasingly difficult. While its staff has steadily decreased, its work load has grown (see fig. 1). ED was hit harder by the reductions-in-force of the 1980s than any other Cabinet department. By fiscal year 1991, ED's use of full-time-equivalent (FTE) employees had declined 33 percent from its fiscal year 1981 level. Yet throughout this period, the Congress gave the Department responsibility for 70 new federal programs. In addition, the number of grants and contracts awarded by ED grew and civil rights complaints filed with it reached the highest levels in the Department's history (see app. IV).

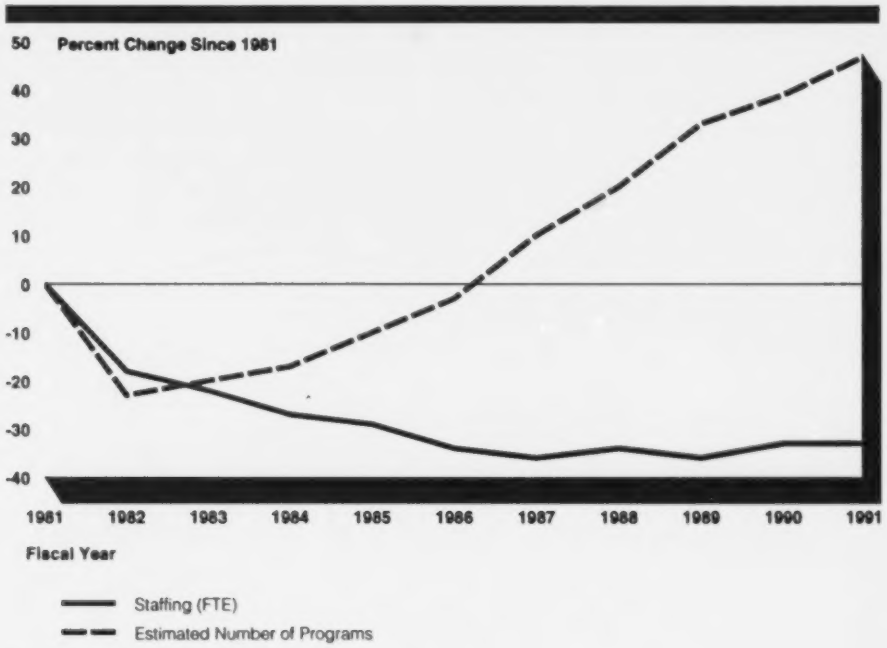
Exacerbating the work load problems was ED's culture[9] and negative self-image. Early leadership did not enhance the self-image: the first Secretary of Education had only a few months in which to try to organize the Department before a new administration took office. The next Secretary made dismantling the Department a formal goal and did not request a budget for it in fiscal years 1983 and 1984. Subsequent Secretaries focused on external policy agendas, devoting little attention to departmental management.

[7]This fiscal year 1992 estimate by the Congressional Research Service does not include the portion of federal support provided indirectly to these institutions through student aid programs and various tax expenditures. Neither does it reflect the support that postsecondary institutions receive from other federal agencies, such as research and development grants.

[8]ED, America 2000: An Education Strategy. Sourcebook, April 18, 1991.

[9]An organization's culture consists of the basic underlying assumptions, beliefs, values, attitudes, and expectations shared by its members.

Figure 1: ED Staffing Declined While Programs Increased



Source: Congressional Research Service and ED.

Note: Supporting data for this and other figures in this report are presented in appendix VI.

ED's strategic and operational management problems have been documented at length by GAO, OMB, ED's Inspector General, congressional committees, and many internal reports and task forces. However, serious problems have persisted or recurred. To help ED manage its increasing work load and tackle chronic management problems, we suggested in our 1988 transition report that the Secretary establish a strategic management process. This would have enabled the Secretary to set major goals and priorities, monitor progress against these goals, and provide feedback to senior agency managers. It also would have allowed the Secretary to systematically correct and improve ED's management systems.

Principal Findings

Management Vision Needed

Without a Secretarial-level process for setting clear goals and priorities and dealing with issues requiring long-term focus, ED's ability to implement solutions to problems and engage in effective Department-wide planning and management is impeded. We observed this in our 1988 report and did so again in an August 20, 1991, letter to the Secretary. However, the Department still has not developed and institutionalized such a process.

To be effective, strategic management must be linked to the budget process; for maximum long-range results, strategic plans must drive budget requests. Absent a strategic plan, ED may be unable to assess the resource levels needed to respond to future changes in program direction.

Traditionally, the Department has operated as a conglomerate of largely independent entities (see app. III). Calling priorities unclear, managers we interviewed said they were unaware of what Secretaries prior to Secretary Alexander had envisioned for the Department as a whole. In reviewing past management practices, we were told by many top officials—including those responsible for management—that they themselves were "out of the loop." That is, they were not involved in priority-setting, decision-making, information flow, and resource allocation. While articulation of the America 2000 strategy provided a much-needed policy concept that defined the national education agenda, it did not offer a management vision for the Department as a whole. The only major management initiatives—a management-by-objectives process,[10] a program accountability initiative,[11] and a joint OMB/ED assessment of the student financial assistance programs[12] —were either required by or included OMB.

Without a top-level vision, managerial efforts tend to be focused on the needs of the individual units in the organization, not the Department as a whole. For example, because ED's information resources management planning takes place at the individual unit level, not Department-wide, critical decision-making information often is not shared. As a result, when

[10]The first management-by-objectives plan was submitted to OMB in fiscal year 1990.

[11]Implemented in 1991, the initiative mandates that ED conduct a systematic and comprehensive examination of accountability systems for every program.

[12]Begun in December 1990 as a response to the student loan default problem, this study made recommendations to correct problems in managing the student financial assistance programs. These recommendations, made to the Secretary of Education and the Director of OMB, were announced on April 8, 1991.

planning problems were combined with ED's inaccurate and incomplete records, erroneous payments and loans were made to ineligible borrowers. Absent a top-level vision, information technology efforts tend to degenerate into loose collections of independent systems specific to a particular office.[13]

Likewise, the financial management of ED's programs suffers from a lack of a unifying vision and clear priorities. In the past, some managers discounted fiscal integrity as a goal, believing that the Department existed largely to get money out to states and local grantees on time. As a result, ED focused too much on the execution of program funding activities and too little on program accountability. This focus has contributed to the mounting problems with student financial assistance and other financial management weaknesses.

Leadership Commitment to Management Lacking

In 1991, Secretary Alexander inherited a management infrastructure weakened by past political leadership that had not given priority to building and maintaining an organization that could implement major policy initiatives. Targeted for abolition in the early 1980s, ED had difficulties in attracting high-quality Assistant Secretaries.[14] ED since has suffered from management neglect. A major problem has been management's practice of placing unqualified managers in key technical and policy-making positions. The high turnover among managers also has been problematic. For example, in the 1-year period from February 1990 to February 1991 ED had three successive directors in the information technology area, two of whom said that they were unqualified for the position. Only in 1992 did ED hire a permanent director with a background in information technology. Further, ED's leadership has had a greater proportion of political appointees than other departments, contributing to heavy management turnover. Without consistent, knowledgeable leadership, information technology problems have languished unresolved.

Even when problems surfaced and ED's staff and senior officials proposed solutions, in-house technical expertise was often ignored and implementation of planned solutions was not tracked. This happened, for instance, when the Department decided to let a long-term contract to improve ED's financial information system. Although in 1989 ED staff wrote

[13]Department of Education: Management Commitment Needed to Improve Information Resources Management (GAO/IMTEC-92-17, Apr. 20, 1992).

[14]See chapter 4, "Staffing Reagan's Titanic," in The Thirteenth Man by Terrel H. Bell (NY: The Free Press, 1988).

a request for proposal that reached the final stage of bid review, action on the project was stopped when a new Deputy Under Secretary for Management was appointed. After a 3-year delay, a new effort was begun in 1992.

Leadership problems also have occurred in the student financial assistance area, which had three Deputy Assistant Secretaries in the 18-month period between January 1991 and July 1992. As of March 1993, the position was vacant. Lacking continuous, qualified leadership, ED has yet to successfully implement all of the fundamental managerial reforms recommended by the joint OMB/ED task force[15] in 1991. One such reform would address student loan defaults—which totaled more than $14 billion as of September 30, 1991—through strong leadership in all senior positions, as well as better systems and controls. In particular, the OMB/ED task force recommended that the Deputy Assistant Secretary for Student Financial Assistance be "an extremely well-qualified person... available for the long-haul." The first appointee had no background in loans or student financial assistance and abruptly resigned after 7 months. The next appointee, while qualified, left ED after 5 months.

Improving Basic Management Systems Imperative

In developing and implementing critical policies, goals, priorities, and programs, ED does not have in place the structures and systems it needs to support managerial decision-making and accountability. ED also lacks the necessary information, tracking capability, and financial controls.

In gauging how successfully it is enhancing education oversight,[16] ED lacks or has not used existing key information. For instance, it cannot say whether and to what degree persons with disabilities receive federally funded rehabilitation services. Until 1992, ED did not use existing information to identify students who default on loans and then receive new ones. In ED's Chapter 1 Program, the $6.7 billion federal program supporting the educationally disadvantaged, ED officials have reported that states do not provide timely information needed to effectively monitor the program, plan for future expenditures, or justify annual budget requests.

Similarly, because its financial management system does not provide adequate financial controls and cannot produce accurate and reliable

[15]OMB/ED, Improving Guaranteed Student Loan Management: A Blueprint for Action, April 1991.

[16]For a detailed discussion of information resources management in ED, see Department of Education: Management Commitment Needed to Improve Information Resources Management (GAO/IMTEC-92-17, Apr. 20, 1992).

information, ED cannot ensure that its programs are financially sound. As a result, its programs are subject to increased risk from fraud, waste, and mismanagement.[17] ED's protracted financial management problems have been discussed by its Inspector General and OMB as well as GAO. They involve such important matters as guaranteed student loan defaults—$2.7 billion[18] in fiscal year 1992—and millions of dollars that remain unspent yet unrecovered from the $1.5 billion in discretionary grants and $232 million in contracts that ED awards each year. For example, as of June 30, 1990, 250 expired discretionary grants that were 3 or more years old had unexpended funds totaling $11.2 million, according to ED's Inspector General.[19] These monies remain uncollected.

The Department has underway several efforts to improve financial management, but it still faces major challenges in developing a single, fully integrated financial management system and producing financial reports that are useful to decision-makers. Financial management improvements must be a continuous process requiring top management support and commitment. The Chief Financial Officers Act of 1990 (P.L. 101-576) gives ED a framework for improving its overall financial management.[20]

Human Resources Management Critical

Critical work force problems also have confronted ED as its responsibilities have grown and become more complex. Because of increasingly constrained staff capacity (see apps. IV and V), such aspects of ED's mission as program monitoring and oversight are inadequate. For example, the Department has relied heavily on an honor system in its financial management activities. It pays over $5 billion annually to lenders and guaranty agencies on the basis of unaudited summary billings. Moreover, the shortage of technically qualified staff has contributed to management problems in the financial and information areas. The lack of staff with accounting or financial backgrounds, for example, plays a major role in the persistence of serious problems in managing student financial assistance programs.

[17]See, for example, Stafford Student Loans: Millions of Dollars in Loans Awarded to Ineligible Borrowers (GAO/IMTEC-91-7, Dec. 12, 1990) and Financial Audit: Guaranteed Student Loan Program's Internal Controls and Structure Need Improvement (GAO/AFMD-93-20, Mar. 16, 1993).

[18]This Department of Education figure is unaudited and may be as high as $2.9 billion.

[19]ED, Office of Inspector General, Expired Grants Allowed to Remain Open for Years, Audit Control No. 11-90760, Mar. 1991.

[20]See The Chief Financial Officers Act: A Mandate for Federal Financial Management Reform (GAO/AFMD-12.19.4, Sept. 1991).

Throughout the 1980s, ED's investment in training lagged far behind growth in training investment in the federal government generally. Likewise, ED's proportion of staff receiving training is less than the federal average.

Also, the amount of time and money individual ED offices spent on training has varied widely.[21] For example, in fiscal year 1992, the Office of Inspector General spent $379 per FTE employee on external training, while the Office of Bilingual Education and Minority Languages Affairs spent nothing on outside training. Similarly, employees in the Office of Inspector General used 37 hours per FTE employee in internal and external training, while Office of Postsecondary Education employees used only 9 hours of training per FTE employee. The Department-wide average was 18 hours per FTE employee. In addition to problems created by lack of training, many senior managers recounted difficulties related to recruiting staff and slow processing of ED's personnel actions. Although human resource issues have been identified in numerous studies, work force assessment has not been systematic. In December 1991, however, efforts were initiated to improve human resource management. (See app. V.)

Finally, ED's work force problems are exacerbated by the Department's demographics. Large percentages (between 40 and 50 percent in some job series) of employees are eligible to retire. Meanwhile, ED officials said, like other agencies, ED is having difficulty attracting and keeping younger, high-skilled workers, such as lawyers, in some regional offices. An ED report[22] notes that nearly half of the Career Intern Class of 1984 had left ED by 1989.

Strategic management of human resources could substantially aid the Department in meeting current and future policy and program requirements. By linking human resource planning[23] to a strategic management process (see fig. 2), ED could use such human resource activities as staffing, rewards, and training and development to support its goals and objectives. Under such an approach, key managers are actively involved in planning for the organization's future, including structuring the

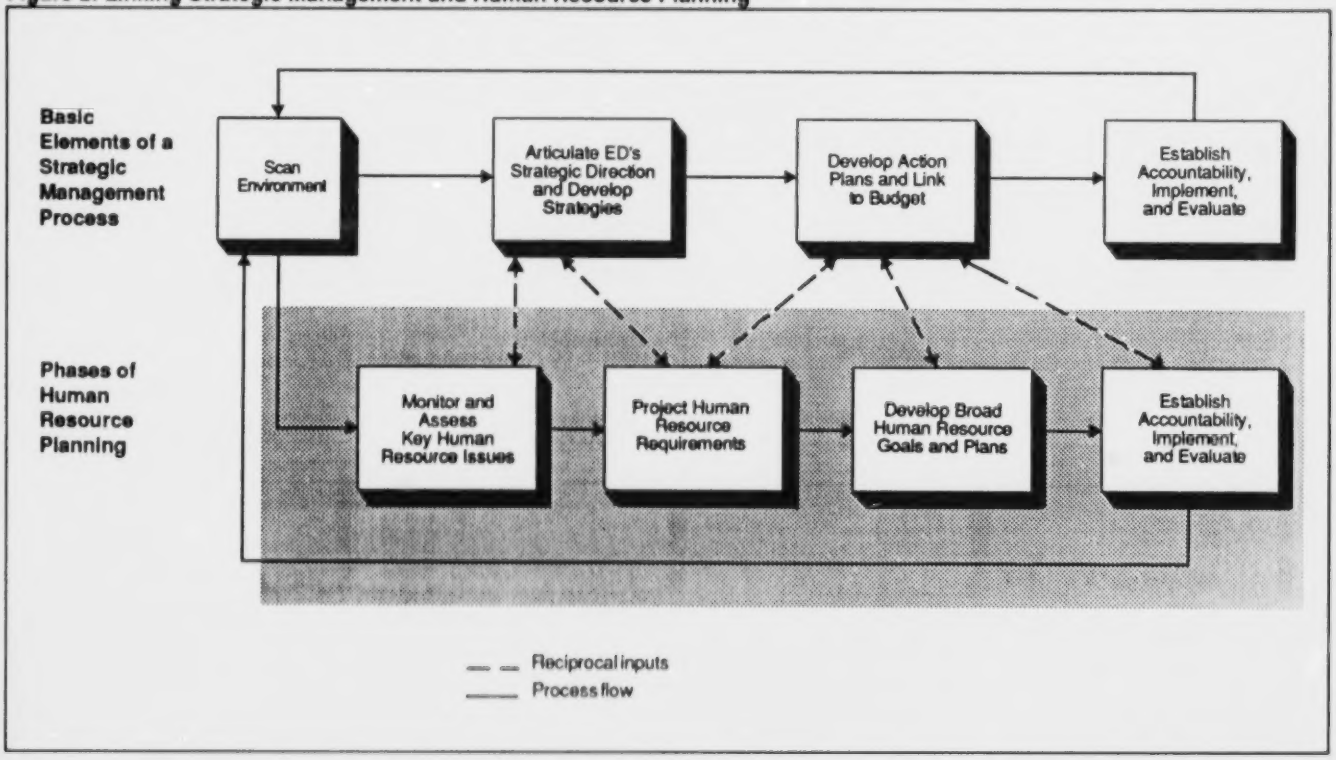
[21]The actual amount of training is higher because some training is not reported.

[22]ED, Horace Mann Learning Center, Strategic Training Plan for the Department of Education, FY 1992-FY 1996.

[23]Human resource planning is a framework for decision-making and management that addresses the consequences of an organization's strategic plans and dynamic environment on its employees. Such planning aims to ensure that the organization has enough employees available with the right skills when and where needed to respond to change and accomplish goals.

mix and organization of resources to accomplish goals and meet challenges posed by changing work force demographics.[24]

Figure 2: Linking Strategic Management and Human Resource Planning


Basic Elements of a Strategic Management Process
Scan Environment
Articulate ED's Strategic Direction and Develop Strategies
Develop Action Plans and Link to Budget
Establish Accountability, Implement, and Evaluate
Phases of Human Resource Planning
Monitor and Assess Key Human Resource Issues
Project Human Resource Requirements
Develop Broad Human Resource Goals and Plans
Establish Accountability, Implement, and Evaluate
Reciprocal inputs
Process flow

Agency Cultural Transformation Needed

The Department's major management problems remain unresolved, many ED managers believe, in part because of the agency culture it inherited from the Department of Health, Education, and Welfare, its parent agency until 1980. An ED task force observed that this culture is characterized by a focus on short-term solutions, highly centralized decision-making, and limited communication with and use of career employees by senior managers in management problem-solving. In the past, strategies that would have allowed the Department to move forward on management support issues were developed but not acted upon. This problem exists at all levels of the organization. For example, several proactive Assistant

[24]See Management of VA: Improved Human Resource Planning Needed to Achieve Strategic Goals (GAO/HRD-93-10, Mar. 18, 1993) for a synthesis of generally accepted principles of human resource planning.

Secretaries tried to implement a strategic planning process in 1989 but gave up when the Secretary declined to participate.

Furthermore, ED has a negative self-image. ED's managers spoke of the Department as a dumping ground for staff and equipment that other agencies did not want. Some offices referred to themselves as "step-children," "starved" for such basic resources as staff, computers, training funds, space, and equipment. In addition, the formal administration attempts in the 1980s to abolish the Department and recurring reductions-in-force, have fostered the negative self-image.

Despite these roadblocks, ED managers are receptive to change. In addition, ED's recent leadership has taken action to promote positive change in the agency's culture and management. Within months of his 1991 confirmation, Secretary Alexander articulated a policy vision for education and established a respected management team. At Department-wide staff meetings, the former Secretary reported to ED staff on agency activities and progress, and discussed the values and beliefs he would like to see perpetuated. Previous managerial efforts that were neglected by top management—such as a human resources task force report[25] —were resurrected and implementation of their findings begun. Similarly, in 1991 the former Secretary, Deputy Secretary, and other senior executives began looking directly to staff for answers to management problems, such as how to resolve financial management issues.

The former Secretary also encouraged more participatory management techniques,[26] such as those experts agree are useful in promoting positive organizational change. For instance, the Office of Vocational and Adult Education developed a quality culture initiative. Similarly, a Total Quality Management model developed in one unit of the Office of Postsecondary Education was being expanded to the whole office. In September 1992, ED took initial steps to begin Department-wide quality efforts.

While these steps and others constitute a promising departure from the management neglect of the past, they are new and not an established part of the organizational structure. Thus, with the change in administration the momentum could be lost. To institutionalize reform of ED's

[25]ED, Developing the Education Program Workforce, Education Program Curriculum Committee, Mary Jean LeTendre, Chairperson, Apr. 16, 1990.

[26]See Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

management infrastructure, ED must take several actions to ensure its ability to support implementation of the national education agenda.

Recommendations

Building on the initial steps taken by the Department over the last 2 years to improve operations, we recommend that the Secretary of Education do the following:

- Articulate a strategic management vision for ED that demonstrates how its management infrastructure will be developed to support its mission and such Secretarial policy priorities as the National Education Goals.
- Adopt a strategic management process in the Office of the Secretary for setting clear goals and priorities, measuring progress towards those goals, and ensuring accountability for attaining them. Once implemented in the Office of the Secretary, take the necessary actions to implement this process throughout the Department. Such a process should also provide a vehicle for ensuring both Secretarial-level and employee involvement for solving major management problems and for planning and managing long-term change.
- Enhance management leadership throughout ED and strengthen agency culture by (1) implementing a Department-wide strategic management process, (2) identifying good management practices within ED and supporting their adoption where appropriate in other parts of the Department, (3) rewarding managers for good management and leadership, and (4) filling technical and policy-making leadership positions with people with appropriate skills.
- Create for information, financial, and human resources management, strategic visions and strategic plans that are integrated with the Department's overall strategic management process.

Agency Comments

The Department of Education provided written comments on a draft of this report. Their comments are summarized below and reproduced in appendix VII.

The Secretary generally agreed with our findings, noting that the report will serve as a useful road map as the Department pursues efforts to improve its culture and management. In addition, although noting that some changes to build up ED's management capacity will require several years, the Department has begun to act on our recommendations. Specifically, the Department is near completion of a strategic plan and Total Quality Management guidelines that will serve as an initial

framework for improving its performance in the critical areas addressed in our report.

As you know, the head of a federal agency is required by 31 U.S.C. 720 to submit a written statement of actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report. A written statement must also be submitted to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are providing copies of this report to interested members of the Congress, executive branch agencies, and the public. We also will make copies available to others upon request. Our work was performed under the direction of Gregory J. McDonald, Director of Human Services Policy and Management Issues, who can be reached at (202) 512-7225. Other major contributors are listed in appendix VIII.

Sincerely yours,

Lawrence H. Thompson

Lawrence H. Thompson
Assistant Comptroller General

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Abbreviations

GAO	General Accounting Office
ED	Department of Education
FTE	full-time-equivalent
OMB	Office of Management and Budget
OPM	Office of Personnel Management

Objectives, Scope, and Methodology

The purpose of this general management review is to identify the key management issues facing the Department of Education and assess the extent to which its management systems and processes support its mission. General management reviews differ in focus and consequent methodology from our customary work. Typically, our audits and evaluations are done at the request of the Congress and focus on program issues. In contrast, we generally initiate management reviews and through them address such broad, agency-wide issues as strategic planning and human resource management. Such a review depends on the cooperation and support of the head of the agency. Getting action on recommendations that often call for fundamental changes in how an agency operates requires a strong commitment from the top.

Grounded in the experience of successful management consultants,[1] the methodology for a general management review assumes that the key information about the way the agency functions—its strengths, weaknesses, problems, solutions, barriers to change, and culture—resides in its staff. Some reviews have used questionnaires extensively to tap staff expertise. Another efficient way is through interviews with agency officials. For this study, we corroborated and augmented information from interviews with information from other studies done by GAO, departmental inspectors general, and others and pertinent departmental and other documentation.

We interviewed senior officials at ED and examined relevant documents and reports (such as in-house studies and task force reports), personnel statistics from the Department and the Office of Personnel Management, and GAO, ED's Office of Inspector General, OMB, and Federal Managers' Financial Integrity Act reports. Our 151 semistructured, in-depth interviews, primarily with ED's managers, senior executives, and presidential appointees, included questions on various management topics. Among these were: strategic management, performance monitoring, communication, information resources, human resources, and financial management. We also asked about the interrelations between the program offices and central support offices, activities and current status of cross-cutting task forces, innovative programs or activities, and the strengths and areas needing improvement within the Department. This report includes information covered in our briefings with the then

[1]For example, see Gordon and Ronald Lippitt, The Consulting Process in Action (LaJolla, CA: University Associates, Inc., 1978); Rosabeth Moss Kanter, The Change Masters (NY: Simon and Schuster, Inc., 1983); Robert R. Blake and Jane Srygley Mouton, Consultation, 2nd ed. (Reading, MA: Addison-Wesley Publishing Co., 1983); and Edgar H. Schein, Process Consultation: Its Role in Organization Development (Reading, MA: Addison-Wesley Publishing Co., 1983).

Secretary of Education in July 1991 and his staff in November 1991 and our letter of August 1991 identifying problems in ED's planning processes and recommending implementation of a strategic management process.

Our work was conducted at ED's headquarters in Washington, D.C., and ED's Dallas and Chicago regional offices between December 1990 and November 1991 in accordance with generally accepted government auditing standards. We updated selected data through September 1992.

National Education Goals

In 1990, the nation's governors, in conjunction with the White House, developed six National Education Goals to be met by the year 2000:[1]

1. All children in America will start school ready to learn.

2. The high school graduation rate will increase to at least 90 percent.

3. American students will leave grades four, eight, and twelve having demonstrated competency in challenging subject matter, including English, mathematics, science, history, and geography; and every school in America will ensure that all students learn to use their minds well, so they may be prepared for responsible citizenship, further learning, and productive employment in our modern economy.

4. U.S. students will be first in the world in science and mathematics achievement.

5. Every adult American will be literate and will possess the knowledge and skills necessary to compete in a global economy and exercise the rights and responsibilities of citizenship.

6. Every school in America will be free of drugs and violence and will offer a disciplined environment conducive to learning.

[1]ED, America 2000: An Education Strategy. Sourcebook, April 18, 1991.

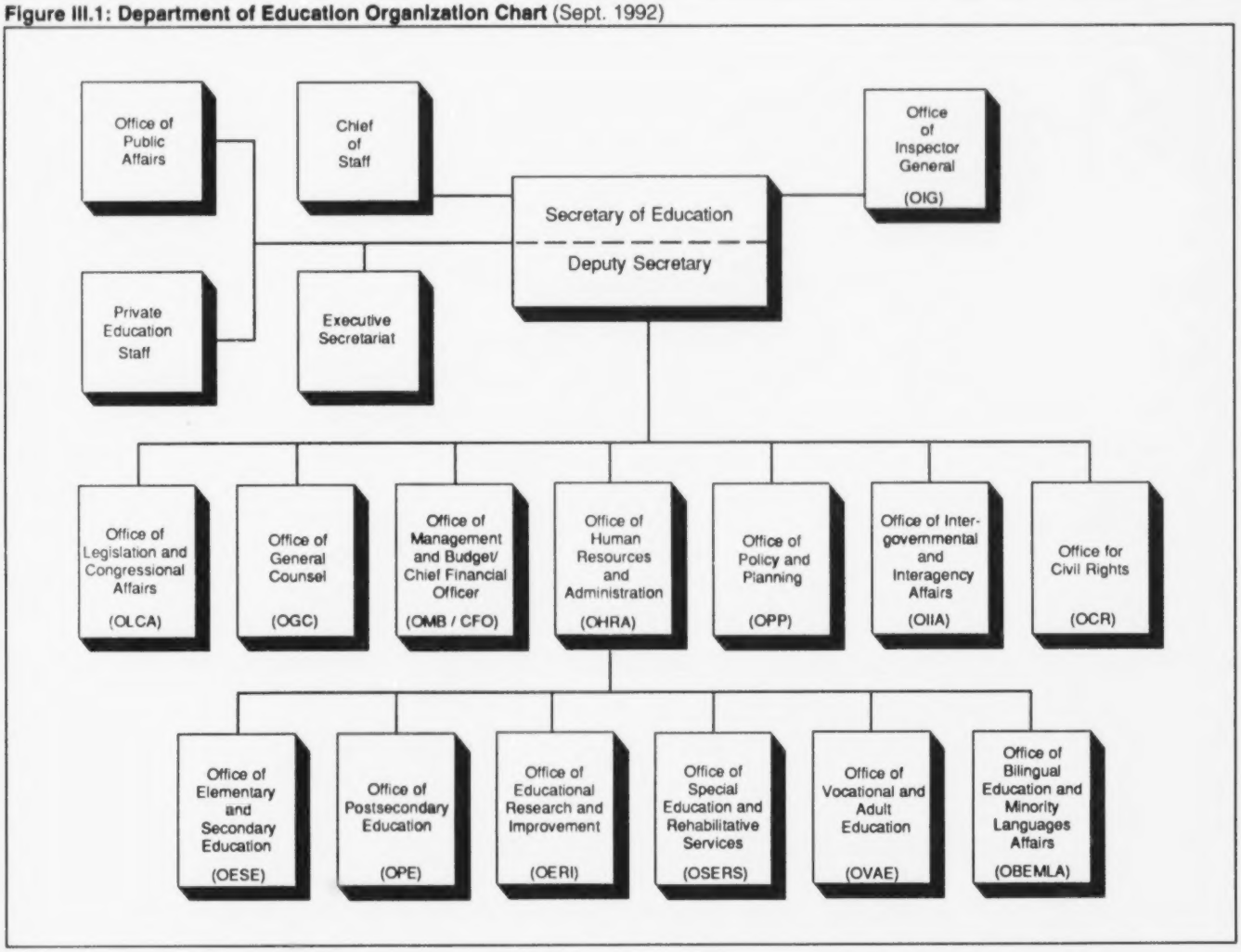
Department of Education: Organization and Programs

The U.S. Department of Education, created in 1979, is the primary Cabinet-level federal department that assists the President in pursing his educational agenda for the nation and in implementing federal education laws enacted by the Congress.

Organization and Functions

ED has some 5,000 employees. About half work in six program offices. The others work in several central management offices (including the Offices of the Secretary and Deputy Secretary), the Office of Inspector General, and the Office for Civil Rights (see fig. III.1). Each office has a role in carrying out ED's diverse functions (see table III.1).

Figure III.1: Department of Education Organization Chart (Sept. 1992)


Office of Public Affairs
Chief of Staff
Office of Inspector General (OIG)
Secretary of Education
Deputy Secretary
Private Education Staff
Executive Secretariat
Office of Legislation and Congressional Affairs (OLCA)
Office of General Counsel (OGC)
Office of Management and Budget/ Chief Financial Officer (OMB / CFO)
Office of Human Resources and Administration (OHRA)
Office of Policy and Planning (OPP)
Office of Intergovernmental and Interagency Affairs (OIIA)
Office for Civil Rights (OCR)
Office of Elementary and Secondary Education (OESE)
Office of Postsecondary Education (OPE)
Office of Educational Research and Improvement (OERI)
Office of Special Education and Rehabilitative Services (OSERS)
Office of Vocational and Adult Education (OVAE)
Office of Bilingual Education and Minority Languages Affairs (OBEMLA)

Source: ED.

Table III.1: Department of Education Offices: Function, Funding, and Staffing (Fiscal Year 1992)

Dollars in millions

Office	Function	Appropriations	Programs[a]	Employees
Postsecondary Education	Administers funding for postsecondary education programs, including student financial assistance, institutional development, student services, housing and academic facilities, cooperative education, international education, and graduate education.	$12,109	54	1,222
Elementary and Secondary Education	Provides financial assistance to states, local education agencies, and Indian-controlled schools to improve preschool, elementary, and secondary school student achievement.	9,189	58	287
Special Education and Rehabilitative Services	Supports programs that assist in educating children with special needs, provides rehabilitative services to youth and adults with disabilities, and supports research to improve the lives of individuals with disabilities.	5,054	59	425
Vocational and Adult Education	Administers programs that help states assist adults in attaining the basic skills needed to obtain a high school diploma or its equivalent and find employment.	1,443	25	113
Educational Research and Improvement	Collects, analyzes, and disseminates information on the progress and condition of American education; conducts and funds education research; and administers programs to promote reform and innovation, improve practice, and enhance libraries and library education.	420	35	495
Bilingual Education and Minority Languages Affairs	Administers bilingual education programs to students with limited English proficiency in elementary and secondary schools and conducts research and evaluation in bilingual education.	225	18	48
Civil Rights	Ensures equal access in federally funded education programs by investigating complaints, conducting compliance reviews, and providing technical assistance to help institutions achieve voluntary compliance with civil rights laws.	54	[b]	902
The Secretary	Provides for the overall direction, supervision, and coordination of all Department activities and advises the President on all federal policies, programs, and activities related to U.S. education.	[c]	[b]	105
Deputy Secretary	Assists the Secretary in the discharge of Secretarial duties and responsibilities. The Deputy Secretary serves as Acting Secretary in the absence of the Secretary.	[c]	[b]	24

(continued)

Dollars in millions

Office	Function	Appropriations	Programs[a]	Employees
Human Resources and Administration	Oversees departmental administrative matters, and directs, coordinates, and recommends policies for activities that include: evaluating and assessing the departmental programs and internal management practices; managing the Department's discretionary grant-making, procurement, and automated data processing activities; providing personnel and training services to departmental offices; providing resource management services, including facilities management, administrative support, and audiovisual communications; and developing and managing the departmental Affirmative Action Program.	[c]	[b]	549
Inspector General	Conducts and supervises audits, investigations, inspections, and other reviews of ED's programs and operations; provides leadership, coordination, and policy recommendations to promote economy, efficiency, and effectiveness; prevents fraud and abuse in ED programs and operations; and reviews proposed and existing legislation and regulations governing ED's programs.	26	[b]	365
General Counsel	Provides legal services to the Department and its officials that include: interpreting all federal laws affecting ED's operations; representing ED in administrative and judicial litigation, and drafting and reviewing legislation and regulations for ED; and advises the Secretary and other officials on policy initiatives and legal developments.	[c]	[b]	112
Policy and Planning	Oversees all matters related to Department program plans and directs, coordinates, and recommends policy for activities that are designed to: coordinate planning and policy discussions with the Office of Management and Budget and Executive Office of the President; direct analytical studies on the economic, social, and institutional impact of existing and proposed education policies and provide advice on the formulation of departmental policies, legislative proposal, and program operations; and develop, coordinate, and monitor a planning system for supporting the Department's long-term program strategies and financial plans.	[c]	[b]	65
Intergovernmental and Interagency Affairs	Serves as liaison between ED and the public and provides overall leadership for the Department in establishing communications with a wide variety of intergovernmental, interagency, international, and public advocacy groups.	[c]	[b]	125

(continued)

Dollars in millions

Office	Function	Appropriations	Programs[a]	Employees
Management and Budget/Chief Financial Officer	Oversees all matters related to program policy, budget, and legislative development; management of the Department's program budget and administrative resources; financial management, financial control, and accounting; and program analysis.	[c]	[b]	250
Legislation and Congressional Affairs	Coordinates and directs departmental interaction with the Congress by working closely with the Secretary and departmental offices to develop and present ED's legislative programs and coordinating congressional testimony by Department officials. This office also responds to congressional inquiries about Department programs and policies and notifies members of the Congress about award of grants and contracts.	[c]	[b]	29

[a]As of fiscal year 1991.

[b]These offices do not administer programs.

[c]These offices do not receive a separate appropriation but share in the appropriation received for program administration of $292 million.

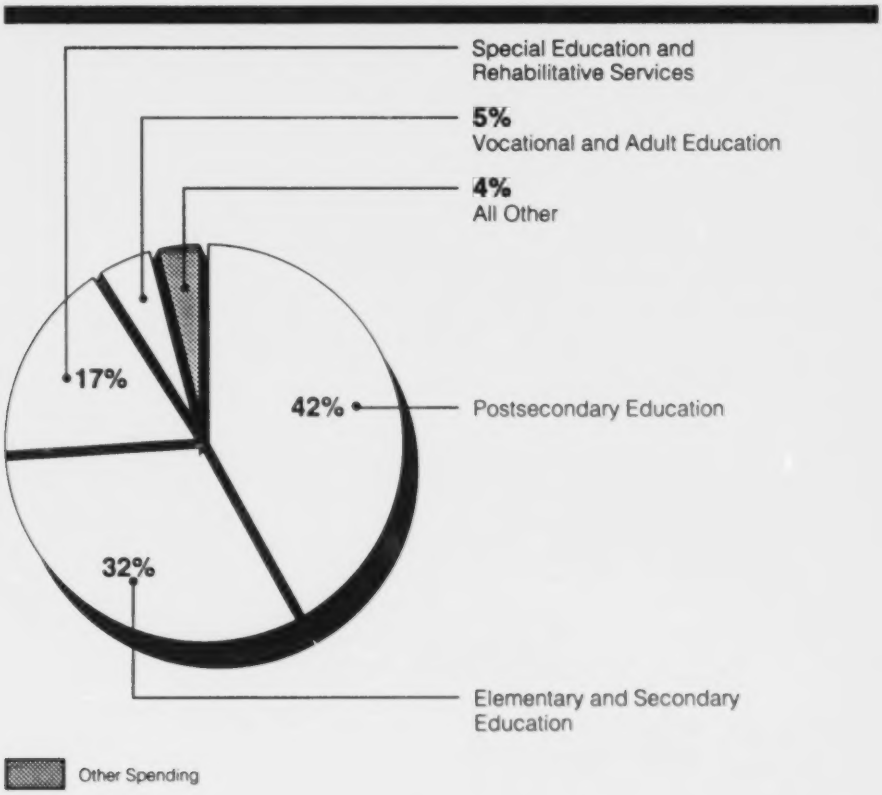
Note: This table does not include the appropriation of $90 million for the Educational Excellence Initiative and the $292 million for program administration.

Source: ED.

Program offices range in size from the Office of Postsecondary Education (over 1,200 employees) to the Office of Bilingual Education and Minority Languages Affairs (48). Most of ED's work force, 70 percent, is located in headquarters, while 30 percent work in the 10 regional offices. Top-level regional managers report directly to their counterparts in the Washington headquarters.

The Department funded more than 200 programs out of fiscal year 1992 appropriations of $28.8 billion. Four offices were responsible for dispersing almost all the appropriations: the Offices of Postsecondary Education ($12.1 billion or 42 percent), Elementary and Secondary Education ($9.2 billion or 32 percent), Special Education and Rehabilitative Services ($5.1 billion or 17 percent), and Vocational and Adult Education ($1.4 billion or 5 percent) (see fig. III.2).

Figure III.2: Most Spending Managed by Four Offices (Fiscal Year 1992)



Source: ED.

Of ED's fiscal year 1992 appropriations, allocations for salaries and expenses[1] account for about 1 percent and four program areas—Compensatory Education, Pell Grants, Federal Family Education Loans, and Special Education—about 70 percent.

[1]Includes salaries and benefits of ED employees; contracts for student aid data collection and processing and other departmental services; costs associated with accounting, financial management, and payroll; and other administrative expenses such as rent, utilities, travel, and mail.

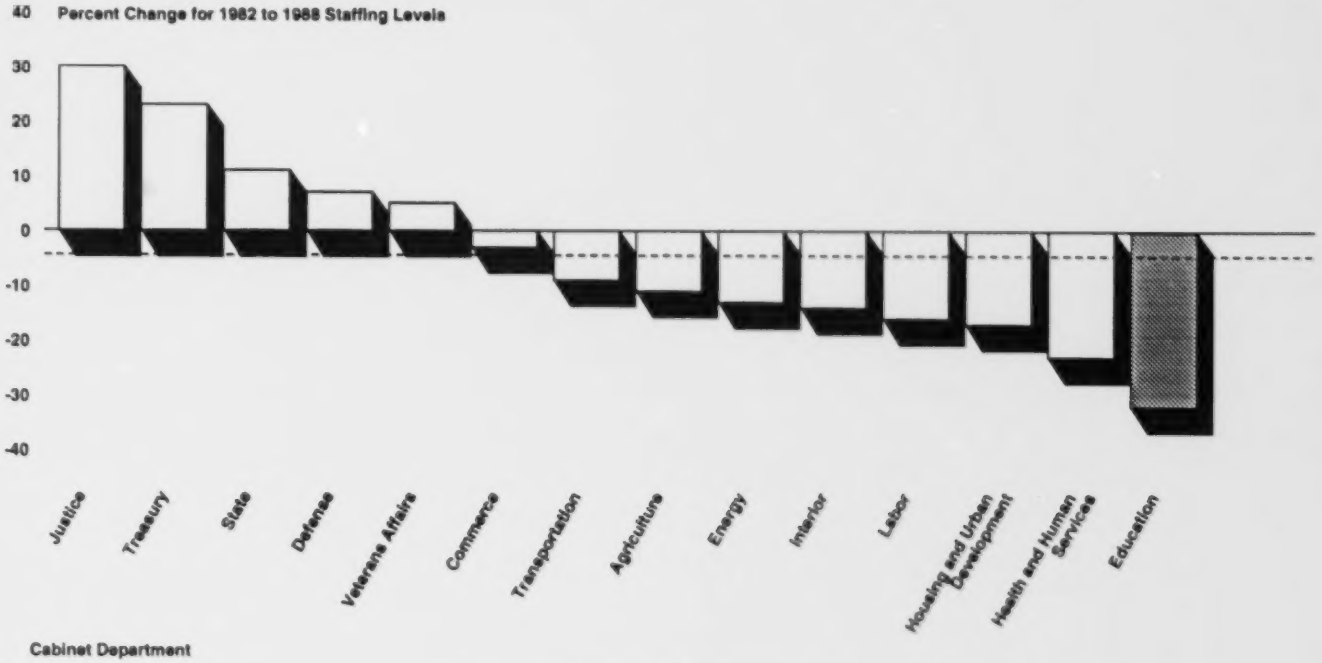
Work Load Increased While Resources Declined

Through the 1980s, ED's resources decreased while its work load grew. Through reductions-in-force and hiring freezes, ED experienced the greatest drop in staffing of any Cabinet department, 32 percent from 1982 to 1988. At about the same time, the numbers of programs funded, grants, contracts, and loan activities grew.

ED Resources Decreased in the 1980s

As one would expect, the general decline in ED's staffing numbers (shown in fig. IV.1) was accompanied by a drop in salaries and expenses. By fiscal year 1991, salaries and expenses were 22 percent less than the 1981 levels when adjusted for inflation.

Figure IV.1: ED's Reduction of Staff Greater Than Any Other Cabinet Department



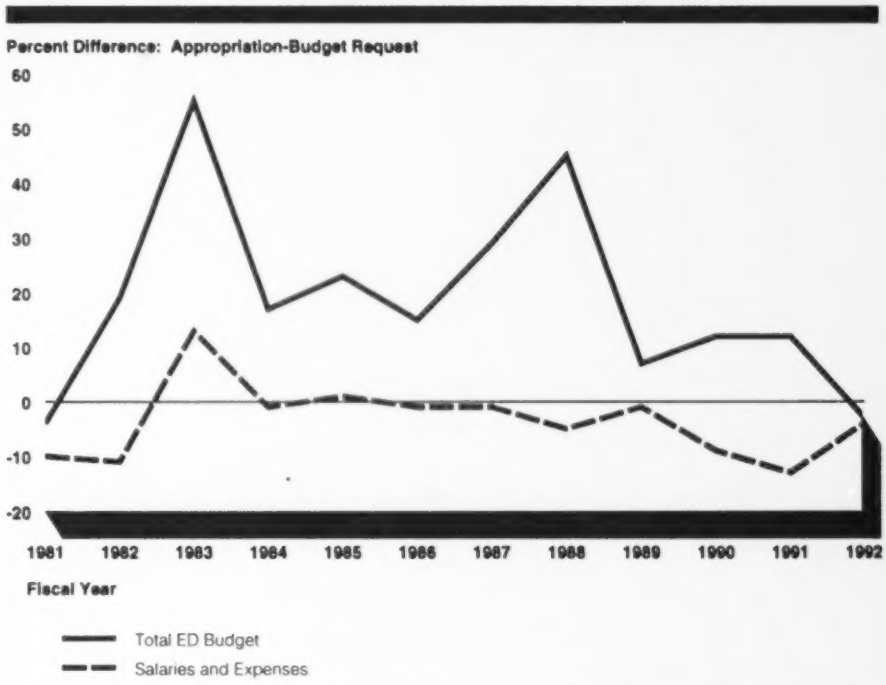
----- Average Change in Federal Employment

Note: Between 1982 and 1988, federal employment overall decreased an average of 4.4 percent.

Source: Office of Personnel Management (OPM).

At the same time, departmental appropriations increased in current dollars. ED's total appropriations increased from $14.8 billion to $28.8 billion, about 95 percent, between fiscal years 1981 and 1992. Throughout the 1980s, Presidents' budget requests tended to be less than what the Congress had appropriated the previous year. Although the Congress usually appropriated more than Presidents requested for ED programs between fiscal years 1981 and 1992, it tended to appropriate less than requested for salaries and expenses (see fig. IV.2).

Figure IV.2: Congress Usually Appropriated More Than Presidents Requested for Programs but Not for Salaries and Expenses



Note: Because ED did not begin operation until May 1980, no budget was requested until 1981.

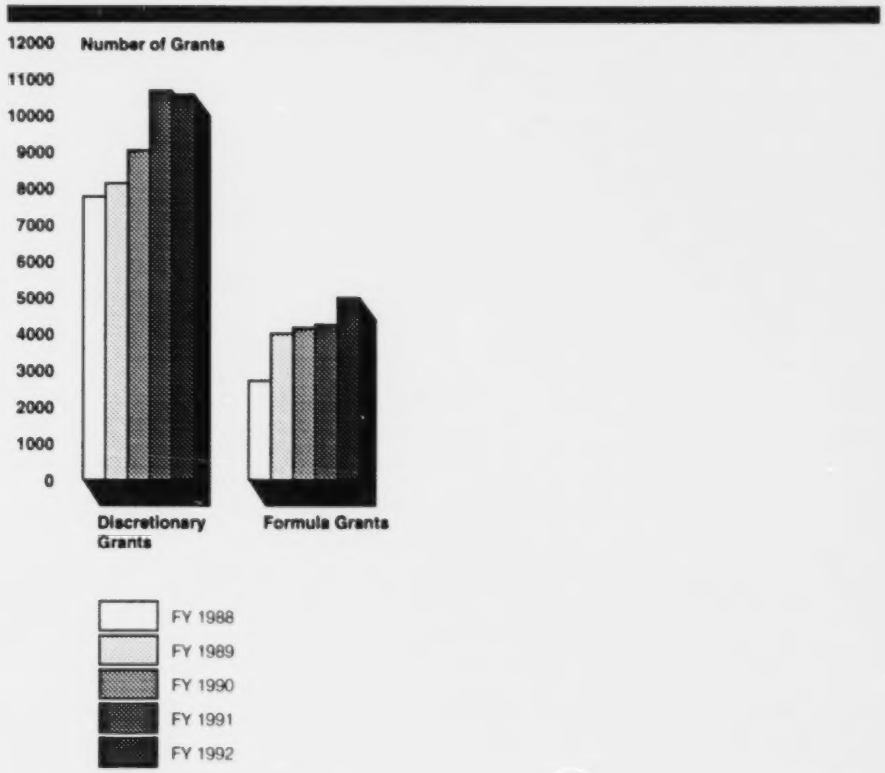
Source: Congressional Research Service and ED.

ED Work Load and Responsibilities Increased

Even as ED's staffing and the amount appropriated for salaries and expenses declined when adjusted for inflation, its work load increased. The number of programs funded between 1981 and 1991 grew from an estimated 150 to about 220, as figure 1 on page 5 shows.

Grants, contracts, and loan activities also grew during the 1980s. The number of contracts ED awarded increased 103 percent between fiscal years 1986 and 1992. The number of discretionary grants rose 36 percent and formula grants rose 85 percent between fiscal years 1988 and 1992 (see fig. IV.3). The number of loan commitments in the Federal Family Education Loan Program (known as the Guaranteed Student Loan Program) increased 109 percent from 2.3 million in fiscal year 1980 to 4.8 million loans in fiscal year 1991.

Figure IV.3: Number of Discretionary and Formula Grants Increased Over Time

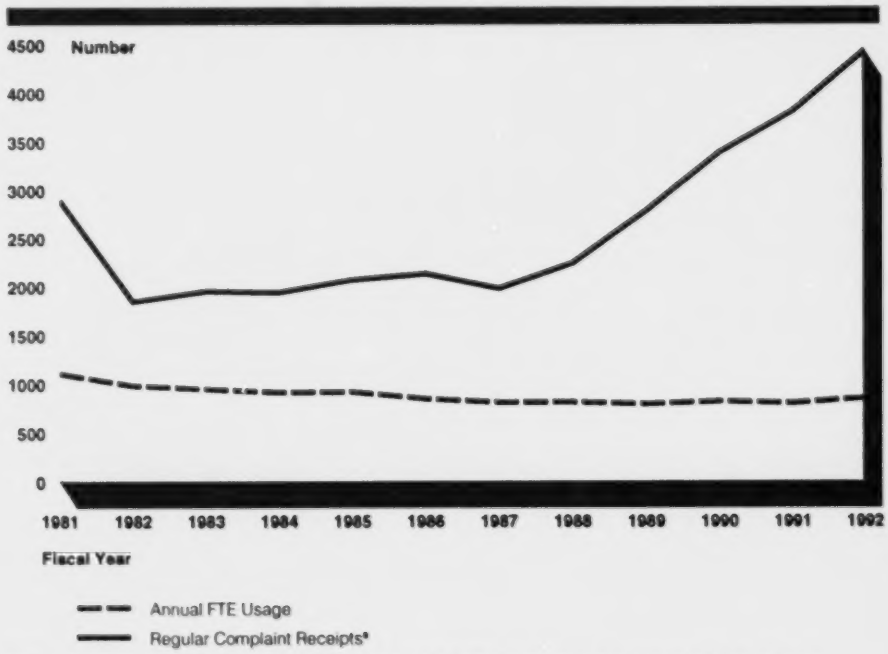


Source: ED.

In the Office for Civil Rights, civil rights complaints increased dramatically over the last decade and now exceed any previous level in the

Department's history (see fig. IV.4). At the same time, the Office experienced a 23-percent drop in its use of employees—from 1,099 employees in fiscal year 1981 to 848 in 1992. Because complaints now require more labor-intensive investigation, the Office for Civil Rights has been unable to devote the amount of resources it would like for compliance review investigations and technical assistance. As a result, in fiscal year 1992 the Office was unable to devote more than 6 percent of its regional staff resources to compliance review investigations and 4 percent to technical assistance activities.

Figure IV.4: Complaints Filed With the Office for Civil Rights Rose to Highest Level in ED's History While Staff Dropped 23 Percent (Fiscal Years 1981-92)



[a]Excludes those refiled due to enactment of the Civil Rights Restoration Act of 1987 and those repetitively refiled by a single complainant.

Source: ED.

Human Resource Issues: Training, Recruiting, and Work Force Assessments

Several of our major findings regarding leadership in the Department of Education are human resource issues. They include the lack of vision and commitment to management improvement on the part of its leaders. Also significant is the Department's high proportion of political appointees, which exacerbates the amount and frequency of turnover, particularly in technical and policy-making leadership positions. In addition, ED needs to address issues in training, recruiting, and work force assessments.

Work Force Composition Diverse

In September 1992, ED employed a diverse work force, in which women (61 percent) and minorities (46 percent) were well represented. Compared with other Cabinet-level departments,[1] ED employed a higher percentage of minorities in fiscal year 1990, had a higher percentage of women than all but one (Health and Human Services), and employed a higher percentage of persons with targeted disabilities.[2] But while ED had the highest percentage of blacks and women at GS 11-15 levels when compared to 22 of the largest federal agencies in fiscal year 1990, the proportion of blacks and women decreased at higher grade levels. For example, black women were 34 percent of employees at grades 9-12, 13 percent of employees at grades 13-15, and 2 percent of senior executives in fiscal year 1991. In contrast, white women were 25 percent of employees at grades 9-12, 28 percent of employees at grades 13-15, and 20 percent of senior executives. Similarly, black men constituted 11 percent at grades 9-12, 8 percent at grades 13-15, and 6 percent of the senior executives, while white men were 23 percent of grades 9-12, 45 percent of grades 13-15, and 63 percent of the senior executives.

ED officials are justifiably proud of the overall diversity of the Department's work force. However, the relatively low percentage of women and minorities at higher grade levels within ED suggest that it, like other agencies, may have retention and discrimination problems in the future in the absence of corrective action.

Employee Training Neglected

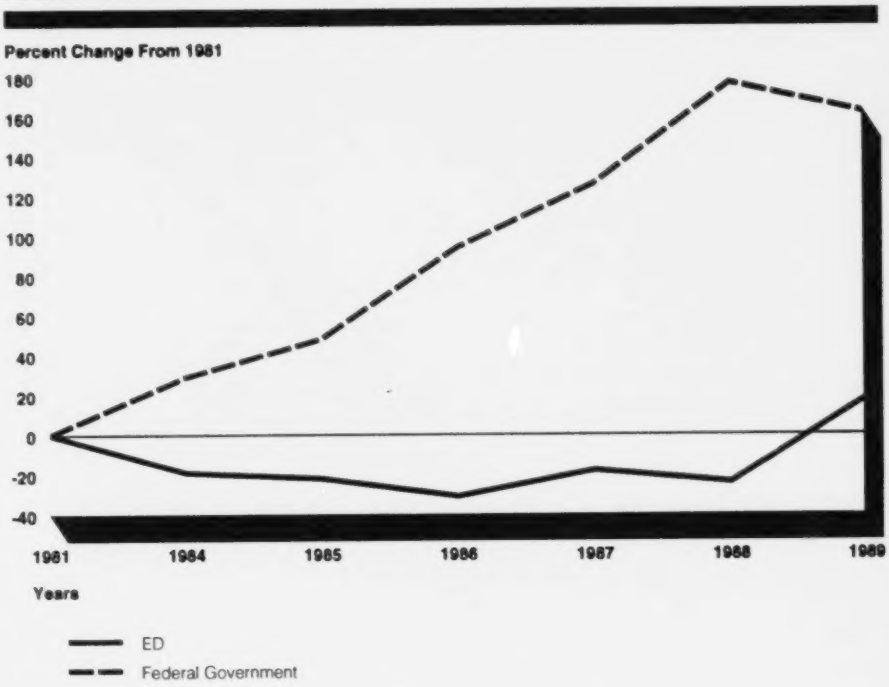
ED has been unsuccessful in developing and upgrading the skills of its current work force due to insufficient training resources. ED managers and several reports identified serious skill weaknesses in such areas as accounting, finance, analysis, writing, and management. But throughout

[1]The Departments of Defense and Veterans Affairs are not included in this comparison.

[2]"Targeted disabilities" refers to deafness, blindness, missing extremities, partial and complete paralysis, convulsive disorders, mental retardation, mental illness, and distortion of the limbs and spine.

the 1980s, ED lagged far behind the growth in training investment in the federal government as a whole (see fig. V.1).

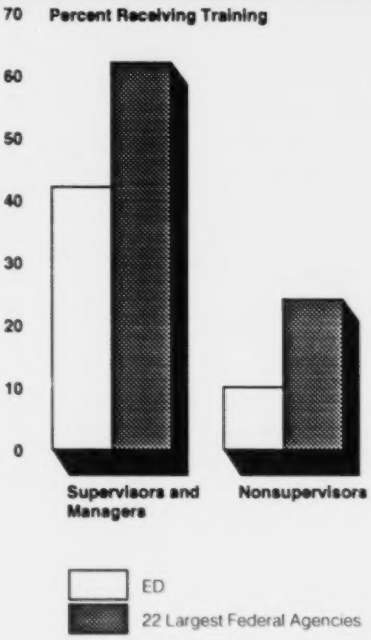
Figure V.1: ED Investment in Training Lagged Behind Federal Government



Source: ED.

Likewise, the proportion of ED employees receiving training also was less than the federal average (see fig. V.2).

Figure V.2: Percent of Employees Receiving Training Less Than Federal Average (Fiscal Year 1990)



Source: OPM.

Recruitment Problems Widespread, Timeliness an Issue

Many senior managers recounted difficulties related to recruiting employees and the slow process of ED personnel actions. They called the process frustrating because it reduces their competitiveness in hiring qualified applicants and leaves positions unfilled for longer than they wish.

An example of the many problems in recruiting qualified people in a timely fashion was given by one top manager, who said it took him over 9 weeks to get an eligible list of GS-6s. Another noted it took 15 months to fill a vacancy for a professional staff position. One reason is that ED's Personnel Management Service does not advertise positions in places where they are likely to attract more qualified applicants, managers asserted. For example, one position required the skills possessed by school district business managers. Rather than advertising in the professional journal to which the pool of qualified applicants subscribe, it was only posted in the standard federal information places. This attracted no applicants.

Nor was Personnel termed helpful in getting managers through the nuances of hiring. For example, one manager, unfamiliar with writing position descriptions, said she could not get the assistance she needed from Personnel. Still other managers said that often the people on Personnel's certification list were unqualified. Sometimes a position had to be advertised several times before a qualified candidate was selected.

Nonetheless, some managers perceived ED's Personnel Management Service as helpful in meeting their needs. Others suggested that Personnel staff were simply overworked and "move as fast as they can" or perceived the slowness of the process as attributable to OPM-mandated procedures.

Issues Identified, but Work Force Assessment Unsystematic

Various studies ED has conducted highlight some of the human resource issues confronting the Department. For example, the Department's 1990 task force report and its strategic training plan said ED is having difficulty attracting and keeping younger, high skilled workers.

A 1991, joint OMB/ED study on student financial assistance[3] identified serious weaknesses in human resource management, particularly the lack of employees with adequate financial, accounting, and analysis skills; training; and technical leadership. In our report on the Office of Special Education and Rehabilitative Services,[4] we identified major problems in filling vacancies, key positions filled on an acting basis, and limited training and development programs.

In addition, during our review ED managers cited concerns about a range of human resource management problems with recruiting, training, promotion, and a dwindling resource pool. These issues, they say, have not been systematically assessed or studied. While some work has been done in identifying specific needs of individual offices, and groups of employees, no Department-wide assessment of work force needs has been done.

[3]OMB/ED, Improving Guaranteed Student Loan Management: A Blueprint for Action, April 1991.

[4]Department of Education: Management of the Office of Special Education and Rehabilitative Services (GAO/HRD-90-21BR, Nov. 28, 1989).

Efforts Underway to Improve Human Resource Management

In December 1991, Department officials initiated efforts aimed at improving ED's human resource management. ED officials have begun projects to address training needs and involve their employees in improving work processes.

For example, officials developed and piloted plans for an employee skills clinic where ED employees can have their skills assessed and obtain information about internal and external training opportunities to upgrade their skills. In addition, a consultant will help ED develop a model recruitment program. ED administered a survey to all employees to solicit their opinions about job conditions, the work environment, recognition and contributions, and overall effectiveness of the Department. ED's Office of Vocational and Adult Education has implemented its "Star POC" (Principal Operating Component) initiative as part of its mission. This initiative is intended to improve morale, communication, and productivity and to encourage employee involvement, contribution, and teamwork.

Tables Supporting Figures in Text

Table VI.1: Data for Figure 1

Fiscal year	Estimated number of programs	Percentage difference from 1981 levels	Staffing (FTE)	Percentage difference from 1981 levels
1981	150	•	6,883	•
1982	115	-23	5,660	-18
1983	120	-20	5,369	-22
1984	125	-17	5,026	-27
1985	135	-10	4,877	-29
1986	145	-3	4,527	-34
1987	165	10	4,413	-36
1988	180	20	4,516	-34
1989	200	33	4,425	-36
1990	208	39	4,596	-33
1991	220	47	4,630	-33

Table VI.2: Data for Figure III.2

Dollars in thousands

Office	Fiscal year 1992 appropriation	Percent of appropriation
Postsecondary Education	$ 12,109,136	42
Elementary and Secondary Education	9,188,917	32
Special Education and Rehabilitative Services	5,053,932	17
Vocational and Adult Education	1,442,608	5
All other	1,038,296	4

Table VI.3: Data for Figure IV.1

Department	Percent change in staff for 1982-88
Justice	30
Treasury	23
State	11
Defense	7
Veterans Affairs	5
Commerce	-3
Transportation	-9
Agriculture	-11
Energy	-13
Interior	-14
Labor	-16
Housing and Urban Development	-17
Health and Human Services	-23
Education	-32

Table VI.4: Data for Figure IV.2

Dollars in thousands

	Total ED budget			Salaries and expenses		
Fiscal year	Request	Appropriation	Percentage difference	Request	Appropriation	Percentage difference
1981	$15,485,332	$14,807,740	-4	$291,096	$262,513	-10
1982	12,353,966	14,752,370	19	308,719	275,462	-11
1983	9,950,508	15,422,286	55	256,505	290,563	13
1984	13,191,889	15,441,482	17	294,835	292,382	-1
1985	15,484,949	19,078,624	23	301,450	303,762	1
1986	15,545,314	17,939,011	15	277,342	273,512	-1
1987	15,218,094	19,687,697	29	295,755	294,070	-1
1988	14,049,789	20,314,175	45	316,000	299,118	-5
1989	21,164,824	22,738,556	7	314,701	310,718	-1
1990	21,910,000	24,622,959	12	342,124	312,517	-9
1991	24,618,311	27,503,298	12	406,700	353,076	-13
1992	29,620,044	28,832,889	-3	388,088	371,412	-4

Table VI.5: Data for Figure IV.3

	Number of grants, fiscal year				
Type of grant	1988	1989	1990	1991	1992
Discretionary	7,757	8,120	9,018	10,663	10,559
Formula	2,689	3,988	4,149	4,238	4,972

Table VI.6: Data for Figure IV.4

Fiscal year	Annual FTE employee usage	Regular complaint receipts
1981	1,099	2,889
1982	976	1,840
1983	941	1,946
1984	907	1,934
1985	913	2,064
1986	843	2,128
1987	807	1,974
1988	808	2,236
1989	789	2,779
1990	815	3,384
1991	797	3,809
1992	848	4,432

Table VI.7: Data for Figure V.1

	ED		Federal government	
Fiscal year	Training expenditures	Percentage change from 1981	Training expenditures	Percentage change from 1981
1981	$1,089,425	•	$370,963,901	•
1984	885,469	-19	476,993,493	29
1985	849,631	-22	550,106,092	48
1986	752,592	-31	721,194,820	94
1987	892,446	-18	839,363,403	126
1988	824,818	-24	1,029,324,721	177
1989	1,288,864	18	972,055,228	162

Table VI.8: Data for Figure V.2

	Percent receiving training	
	ED	Average of 22 largest federal agencies
Supervisors and managers	42	62
Nonsupervisors	10	24

Comments From the Department of Education

UNITED STATES DEPARTMENT OF EDUCATION
THE SECRETARY

April 20, 1993

Mr. Charles A. Bowsher
Comptroller General of the United States
United States General Accounting Office
Washington, DC 20548

Dear Mr. Bowsher:

I am writing in response to the Draft Report to the Secretary of Education on the management of the Department. I appreciate the opportunity to review and comment on the draft report.

Although the report, in focusing on problems within the Department, overlooks some positive efforts and successes -- and may thereby paint a somewhat overly bleak picture -- I believe it is generally an accurate assessment of the management problems that I inherited and plan to address. In a comprehensive form, it reinforces many of the same conclusions that the Department itself has reached as a result of the employee survey that was conducted last year.

The draft report will serve as a useful road map to me and my senior staff as we pursue efforts to improve the culture and management of the Department. Its description of the management neglect and staffing problems that characterized the Department during the 1980s provides me with a valuable historical perspective and insight into the dimensions of the problems we face. Some changes can be made in the short term but others will take several years to build up the Department's management capacity which has been eroded for the last 12 years.

I have appointed Deputy Secretary Madeleine Kunin to oversee our efforts to strengthen the Department's management. Two teams representing all operating units of the Department have been meeting for several months to lay the groundwork for a Department-wide Total Quality Management (TQM) initiative. They are near completion of a strategic plan and TQM guidelines that would serve as an initial framework for improving the Department's performance in the critical areas addressed by your draft report. In addition, the President's initiative to reinvent government will provide us with a further opportunity to identify and correct many long-standing management weaknesses. I hope that we may continue to have your suggestions as we proceed to tackle these problems.

Yours sincerely,

Dick Riley

Richard W. Riley

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Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

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